

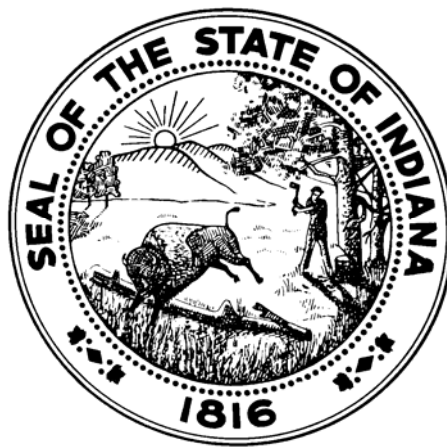
**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF ELKHART

ELKHART COUNTY, INDIANA



**FILED**  
09/11/2007



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Stephen J. Malone	01-01-06 to 12-31-07
Mayor	David L. Miller	01-01-04 to 12-31-07
President of the Board of Public Safety	N. Dean Hupp Jean Mayes	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of Public Works	James Beattie	01-01-06 to 12-31-07
President of the Common Council	Brian A. Thomas Jerry L. Kindig	01-01-06 to 12-31-06 01-01-07 to 12-31-07



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elkhart (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 1, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 1, 2007



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elkhart (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 1, 2007



CITY OF ELKHART  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 17,342,117	\$ 2,387,803	\$ 158,907	\$ 265,095	\$ (14,530,312)	\$ -	\$ (14,530,312)
Public safety	20,215,313	1,481,366	375,843	-	(18,358,104)	-	(18,358,104)
Highways and streets	4,365,596	9,335	-	86,881	(4,269,380)	-	(4,269,380)
Sanitation	1,465,476	-	-	-	(1,465,476)	-	(1,465,476)
Health and welfare	-	26,025	122,818	-	148,843	-	148,843
Culture and recreation	6,398,851	792,621	115,964	70,000	(5,420,266)	-	(5,420,266)
Urban redevelopment and housing	1,983,068	264,668	819,692	-	(898,708)	-	(898,708)
Debt service	1,249,356	-	-	-	(1,249,356)	-	(1,249,356)
Total governmental activities	53,019,777	4,961,818	1,593,224	421,976	(46,042,759)	-	(46,042,759)
Business-type activities:							
Water	6,224,717	5,998,587	-	-	-	(226,130)	(226,130)
Wastewater	8,374,900	8,596,300	-	-	-	221,400	221,400
Total business-type activities	14,599,617	14,594,887	-	-	-	(4,730)	(4,730)
Total primary government	\$ 67,619,394	\$ 19,556,705	\$ 1,593,224	\$ 421,976	(46,042,759)	(4,730)	(46,047,489)
General receipts:							
Property taxes					27,277,440	-	27,277,440
Other local sources					1,040,379	-	1,040,379
Bonds and loans					6,083,106	-	6,083,106
Grants and contributions not restricted to specific programs					26,201,135	-	26,201,135
Unrestricted investment earnings					1,859,432	239,250	2,098,682
Total general receipts					62,461,492	239,250	62,700,742
Change in net assets					16,418,733	234,520	16,653,253
Net assets - beginning					30,569,717	13,444,057	44,013,774
Net assets - ending					\$ 46,988,450	\$ 13,678,577	\$ 60,667,027
<u>Assets</u>							
Cash and investments					\$ 38,377,198	\$ 1,256,688	\$ 39,633,886
Restricted assets:							
Cash and investments					8,611,252	12,421,889	21,033,141
Total assets					\$ 46,988,450	\$ 13,678,577	\$ 60,667,027
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ 274,000	\$ 4,308,853	\$ 4,582,853
Other purposes					8,337,252	8,112,836	16,450,088
Unrestricted					38,377,198	1,256,888	39,634,086
Total net assets					\$ 46,988,450	\$ 13,678,577	\$ 60,667,027

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Major Moves Construction	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 16,823,952	\$ -	\$ 10,453,488	\$ 27,277,440
Licenses and permits	237,377	-	28,165	265,542
Intergovernmental	10,300,938	8,264,334	9,563,501	28,128,773
Charges for services	1,366,026	-	2,048,217	3,414,243
Fines and forfeits	885,172	-	25,260	910,432
Other	2,691,766	72,918	594,290	3,358,974
Total receipts	32,305,231	8,337,252	22,712,921	63,355,404
Disbursements:				
General government	11,145,473	-	5,758,420	16,903,893
Public safety	16,532,728	-	2,411,004	18,943,732
Highways and streets	-	-	4,217,307	4,217,307
Sanitation	1,465,476	-	-	1,465,476
Culture and recreation	274,568	-	5,931,311	6,205,879
Urban redevelopment and housing	-	-	1,983,068	1,983,068
Debt service:				
Principal	-	-	895,000	895,000
Interest	-	-	354,356	354,356
Capital outlay:				
General government	-	-	438,224	438,224
Public safety	-	-	1,271,581	1,271,581
Highways and streets	-	-	148,289	148,289
Culture and recreation	-	-	192,972	192,972
Total disbursements	29,418,245	-	23,601,532	53,019,777
Excess (deficiency) of receipts over disbursements	2,886,986	8,337,252	(888,611)	10,335,627
Other financing sources (uses):				
Bond proceeds	-	-	6,083,106	6,083,106
Transfers in	482,871	-	2,088,232	2,571,103
Transfers out	(1,335,309)	-	(1,235,794)	(2,571,103)
Total other financing sources (uses)	(852,438)	-	6,935,544	6,083,106
Excess of receipts and other financing sources over disbursements and other financing uses	2,034,548	8,337,252	6,046,933	16,418,733
Cash and investment fund balance - beginning	9,307,642	-	21,262,075	30,569,717
Cash and investment fund balance - ending	\$ 11,342,190	\$ 8,337,252	\$ 27,309,008	\$ 46,988,450
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 11,342,190	\$ -	\$ 27,035,008	\$ 38,377,198
Restricted assets:				
Cash and investments	-	8,337,252	274,000	8,611,252
Total cash and investment assets - December 31	\$ 11,342,190	\$ 8,337,252	\$ 27,309,008	\$ 46,988,450
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ -	\$ 274,000	\$ 274,000
Other purposes	-	8,337,252	-	8,337,252
Unrestricted	11,342,190	-	27,035,008	38,377,198
Total cash and investment fund balance - December 31	\$ 11,342,190	\$ 8,337,252	\$ 27,309,008	\$ 46,988,450

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Metered water receipts:			
Residential	\$ 5,327,674	\$ -	\$ 5,327,674
Commercial	84,490	-	84,490
Fire protection receipts	435,988	-	435,988
Other water receipts	126,397	-	126,397
Measured revenue	-	7,421,862	7,421,862
Other	44,065	1,248,263	1,292,328
	<u>6,018,614</u>	<u>8,670,125</u>	<u>14,688,739</u>
Total operating receipts			
	<u>6,018,614</u>	<u>8,670,125</u>	<u>14,688,739</u>
Operating disbursements:			
Salaries and wages	1,245,864	1,954,413	3,200,277
Employee pensions and benefits	352,369	551,510	903,879
Purchased power	271,706	442,481	714,187
Chemicals	56,975	70,771	127,746
Material and supplies	424,936	505,390	930,326
Contractual services	685,463	1,171,965	1,857,428
Rents	1,358	3,743	5,101
Transportation disbursements	532	1,925	2,457
Insurance disbursements	120,000	130,000	250,000
Other disbursements	313,998	364	314,362
Payment in lieu of tax	550,008	758,336	1,308,344
Capital outlay	621,869	1,451,172	2,073,041
Refunds	35,984	11,528	47,512
Miscellaneous disbursements	95,801	85,052	180,853
Compact transfer	21,012	-	21,012
Sewer insurance	8,788	-	8,788
Sewer utility	535,054	-	535,054
	<u>5,341,717</u>	<u>7,138,650</u>	<u>12,480,367</u>
Total operating disbursements			
	<u>5,341,717</u>	<u>7,138,650</u>	<u>12,480,367</u>
Excess of operating receipts over operating disbursements	<u>676,897</u>	<u>1,531,475</u>	<u>2,208,372</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	57,973	87,425	145,398
Miscellaneous receipts	144,000	-	144,000
Debt service of principal	(805,000)	(1,075,000)	(1,880,000)
Interest and investment disbursement	(78,000)	(161,250)	(239,250)
Miscellaneous disbursements	-	(144,000)	(144,000)
	<u>(681,027)</u>	<u>(1,292,825)</u>	<u>(1,973,852)</u>
Total nonoperating receipts (disbursements)			
	<u>(681,027)</u>	<u>(1,292,825)</u>	<u>(1,973,852)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(4,130)	238,650	234,520
Cash and investment fund balance - beginning	<u>5,038,367</u>	<u>8,405,690</u>	<u>13,444,057</u>
Cash and investment fund balance - ending	<u>\$ 5,034,237</u>	<u>\$ 8,644,340</u>	<u>\$ 13,678,577</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 449,696	\$ 806,992	\$ 1,256,688
Restricted assets:			
Cash and investments	<u>4,584,541</u>	<u>7,837,348</u>	<u>12,421,889</u>
Total cash and investment assets - December 31	<u>\$ 5,034,237</u>	<u>\$ 8,644,340</u>	<u>\$ 13,678,577</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 1,360,480	\$ 2,948,373	\$ 4,308,853
Other purposes	3,223,861	4,888,975	8,112,836
Unrestricted	<u>449,896</u>	<u>806,992</u>	<u>1,256,888</u>
Total cash and investment fund balance - December 31	<u>\$ 5,034,237</u>	<u>\$ 8,644,340</u>	<u>\$ 13,678,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 3,025,781	\$ -	\$ -
Plan members	39,643	-	-
State	2,646,592	-	-
Other	-	86,752	-
Total contributions	5,712,016	86,752	-
Agency fund additions	-	-	10,512,391
Total additions	5,712,016	86,752	10,512,391
Deductions:			
Benefits	4,658,802	-	-
Other disbursements	9,505	105,739	-
Administrative and general	36,577	-	-
Agency fund deductions	-	-	9,596,500
Total deductions	4,704,884	105,739	9,596,500
Excess (deficiency) of total additions over total deductions	1,007,132	(18,987)	915,891
Cash and investment fund balance - beginning	2,422,931	770,953	773,765
Cash and investment fund balance - ending	\$ 3,430,063	\$ 751,966	\$ 1,689,656

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Elkhart

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Elkhart Urban Enterprise Association and the Elkhart Housing Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its cash and investment fund balances, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The major moves construction fund accounts for the one time special distribution of proceeds from the lease of the Indiana Toll Road. In the future, the funds will be used for the construction and improvement of local roads.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the city cemeteries and for donations from private donors.

Agency funds account for assets held by the City as an agent for other governmental units and city employees.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.



CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

<u>Fund</u>	<u>2006</u>
Cumulative Fire Fighting Equipment Fund	<u>\$ 70,441</u>

These disbursements were funded by available fund balances.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2006, the bank balance held at 1<sup>st</sup> Source Bank in the amount of \$63,189,251 was collateralized with securities held by the pledging financial institution. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental	\$ 1,335,309
Other governmental	General Fund	482,871
Other governmental	Other governmental	<u>752,923</u>
Total		<u>\$ 2,571,103</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Event

The City of Elkhart is planning on renovating the Elco Theater. The estimated cost of the renovation project is \$13,500,000. The project will be financed in part by a bond issue of approximately \$10,000,000 and \$3,500,000 will come from private donations and grants.

C. Conduit Debt Obligation

From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2006, there were 27 series of Economic Development Revenue Bonds outstanding. The aggregate principal amount payable for 6 series issued after July 1, 1995, could not be determined; however, their original issue amount totaled \$14,605,000. The aggregate principal amount payable for the 21 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$57,905,200.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on December 22, 1993.

Wastewater Utility

The current rate structure was approved by the City Council on December 12, 1994.

E. Advance Refunding

In prior years, the City Utilities defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the financial statements. The following outstanding bonds, at December 31, 2006, were considered defeased:

	<u>Amount</u>
Water Utility	\$ 5,595,000
Wastewater Utility	2,900,000

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 743,753	\$ 2,095,200	\$ 3,087,400
Interest on net pension obligation	(36,285)	773,700	1,218,400
Adjustment to annual required contribution	41,349	(937,100)	(1,475,800)
Annual pension cost	748,817	1,931,800	2,830,000
Contributions made	574,002	2,324,854	3,189,561
Increase (decrease) in net pension obligation	174,815	(393,054)	(359,561)
Net pension obligation, beginning of year	(500,481)	12,894,194	20,307,477
Net pension obligation, end of year	<u>\$ (325,666)</u>	<u>\$ 12,501,140</u>	<u>\$ 19,947,916</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.63%	9.47%	4.15%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 538,182	115%	\$ (560,672)
	06-30-05	677,039	91%	(500,481)
	06-30-06	748,817	85%	(325,666)
1925 Police Officers' Pension Plan	12-31-03	3,195,800	47%	11,308,983
	12-31-04	3,236,400	51%	12,894,194
	12-31-05	1,931,800	120%	12,501,140
1937 Firefighters' Pension Plan	12-31-03	4,264,600	40%	17,889,712
	12-31-04	4,303,700	44%	20,307,477
	12-31-05	2,830,000	113%	19,947,916

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	91	101
Current active employees	4	8

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$1,870,213, \$1,817,305, and \$1,820,094, respectively, equal to the required contributions for each year.

CITY OF ELKHART  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 12,381,963	\$ 12,850,184	\$ (468,221)	96%	\$ 13,907,410	(3%)
07-01-05	12,868,962	14,405,379	(1,536,417)	89%	13,003,857	(12%)
07-01-06	12,895,623	13,892,286	(996,663)	93%	12,262,230	(8%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 711,578	\$ 32,542,000	\$ (31,830,422)	2%	\$ 371,600	(8,566%)
01-01-02	620,665	32,182,200	(31,561,535)	2%	269,000	(11,733%)
01-01-03	985,869	30,058,900	(29,073,031)	3%	478,000	(6,082%)
01-01-04	633,305	32,706,500	(32,073,195)	2%	289,800	(11,067%)
01-01-05	394,974	28,933,900	(28,538,926)	1%	248,400	(11,489%)
01-01-06	800,803	30,964,900	(30,164,097)	3%	126,600	(23,826%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 1,124,010	\$ 44,575,100	\$ (43,451,090)	3%	\$ 1,149,600	(3,780%)
01-01-02	954,376	44,035,500	(43,081,124)	2%	1,149,300	(3,748%)
01-01-03	1,377,908	35,953,200	(34,575,292)	4%	1,396,800	(2,475%)
01-01-04	1,060,320	43,021,900	(41,961,580)	2%	1,152,600	(3,641%)
01-01-05	747,576	39,773,800	(39,026,224)	2%	1,024,600	(3,809%)
01-01-06	1,622,128	39,563,000	(37,940,872)	4%	870,700	(4,358%)



CITY OF ELKHART  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CONTRIBUTIONS FROM THE  
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage Of ARC Contributed
12-31-00	\$ 3,244,400	79%
12-31-01	3,360,300	53%
12-31-02	3,425,000	63%
12-31-03	3,629,300	41%
12-31-04	3,806,600	43%
12-31-05	2,095,200	111%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage Of ARC Contributed
12-31-00	\$ 4,377,200	61%
12-31-01	4,755,000	35%
12-31-02	4,861,900	54%
12-31-03	4,956,900	35%
12-31-04	5,205,700	36%
12-31-05	3,087,400	103%

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Cemetery Operating	Mausoleum Operating	Tolson Drug Elimination Grant	UMTA Transportation Grant
Receipts:							
Taxes	\$ 1,897,221	\$ -	\$ 3,385,486	\$ 128,972	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,084,572	557,263	233,926	8,991	-	-	-
Charges for services	4,140	-	120,574	206,817	8,796	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	5,195	-	51,222	100	-	-	-
Total receipts	3,991,128	557,263	3,791,208	344,880	8,796	-	-
Disbursements:							
General government	-	-	-	241,988	55,016	-	50,000
Public safety	-	-	-	-	-	-	-
Highways and streets	2,687,053	355,992	-	-	-	-	-
Culture and recreation	-	-	3,448,023	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	148,289	-	-	-	-	-	-
Culture and recreation	-	-	81,408	-	-	-	-
Total disbursements	2,835,342	355,992	3,529,431	241,988	55,016	-	50,000
Excess (deficiency) of receipts over disbursements	1,155,786	201,271	261,777	102,892	(46,220)	-	(50,000)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	55,833
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	55,833
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,155,786	201,271	261,777	102,892	(46,220)	-	5,833
Cash and investment fund balance - beginning	25,146	831,583	736,981	80,999	401,699	35	-
Cash and investment fund balance - ending	\$ 1,180,932	\$ 1,032,854	\$ 998,758	\$ 183,891	\$ 355,479	\$ 35	\$ 5,833
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 1,180,932	\$ 1,032,854	\$ 998,758	\$ 183,891	\$ 355,479	\$ 35	\$ 5,833
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 1,180,932	\$ 1,032,854	\$ 998,758	\$ 183,891	\$ 355,479	\$ 35	\$ 5,833
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,180,932	1,032,854	998,758	183,891	355,479	35	5,833
Total cash and investment fund balance - December 31	\$ 1,180,932	\$ 1,032,854	\$ 998,758	\$ 183,891	\$ 355,479	\$ 35	\$ 5,833

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Aviation Commission	Aviation Federal	D.E.A. Asset Sharing	Park Nonreverting Operating	Washington Gardens	Human Relations Grant	Insurance Settlement
Receipts:							
Taxes	\$ 645,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	44,633	-	50,792	-	46,462	32,700	-
Charges for services	216,422	-	-	303,208	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	123	36,814
Total receipts	906,230	-	50,792	303,208	46,462	32,823	36,814
Disbursements:							
General government	700,772	-	-	-	-	60,004	44,782
Public safety	-	-	26,275	-	46,434	-	4,345
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	296,747	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	3,507	-	-	-	-	6,231	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	704,279	-	26,275	296,747	46,434	66,235	49,127
Excess (deficiency) of receipts over disbursements	201,951	-	24,517	6,461	28	(33,412)	(12,313)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	201,951	-	24,517	6,461	28	(33,412)	(12,313)
Cash and investment fund balance - beginning	105,153	7,839	70,243	137,632	9,964	88,074	143,533
Cash and investment fund balance - ending	\$ 307,104	\$ 7,839	\$ 94,760	\$ 144,093	\$ 9,992	\$ 54,662	\$ 131,220
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 307,104	\$ 7,839	\$ 94,760	\$ 144,093	\$ 9,992	\$ 54,662	\$ 131,220
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 307,104	\$ 7,839	\$ 94,760	\$ 144,093	\$ 9,992	\$ 54,662	\$ 131,220
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	307,104	7,839	94,760	144,093	9,992	54,662	131,220
Total cash and investment fund balance - December 31	\$ 307,104	\$ 7,839	\$ 94,760	\$ 144,093	\$ 9,992	\$ 54,662	\$ 131,220

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Arson Investigation Assistance	License Examination	Probation User Fees	Drunk Driving Assistance Grant	Sidewalk Improvement	NYC Railroad Museum	Railroad Depot Reserve
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	3,575	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	245,981	-	10,604	32,400	-
Fines and forfeits	-	-	-	-	-	-	-
Other	274	-	-	-	-	-	-
Total receipts	274	3,575	245,981	-	10,604	32,400	-
Disbursements:							
General government	-	720	155,227	-	-	-	-
Public safety	-	-	-	45,835	100,493	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	3,016	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	720	158,243	45,835	100,493	-	-
Excess (deficiency) of receipts over disbursements	274	2,855	87,738	(45,835)	(89,889)	32,400	-
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	55,250	100,000	229,196	-
Transfers out	(2,613)	-	-	-	-	-	(9,352)
Total other financing sources (uses)	(2,613)	-	-	55,250	100,000	229,196	(9,352)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,339)	2,855	87,738	9,415	10,111	261,596	(9,352)
Cash and investment fund balance - beginning	2,339	13,979	356,179	(59,567)	76,979	(231,544)	9,352
Cash and investment fund balance - ending	\$ -	\$ 16,834	\$ 443,917	\$ (50,152)	\$ 87,090	\$ 30,052	\$ -
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ 16,834	\$ 443,917	\$ (50,152)	\$ 87,090	\$ 30,052	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ -	\$ 16,834	\$ 443,917	\$ (50,152)	\$ 87,090	\$ 30,052	\$ -
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	16,834	443,917	(50,152)	87,090	30,052	-
Total cash and investment fund balance - December 31	\$ -	\$ 16,834	\$ 443,917	\$ (50,152)	\$ 87,090	\$ 30,052	\$ -

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Law Enforcement Continuing Education	Stu Statler Crime	Park Grants	High Dive Park Grant	Victim Assistance Grant	Elkhart Environmental Center	Theft Program (TAP)
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	24,590	-	-	-	-	-
Intergovernmental	-	-	8,300	20,000	-	-	-
Charges for services	61,748	-	-	-	-	-	-
Fines and forfeits	6,439	1,020	-	-	-	-	17,801
Other	-	-	-	-	-	11,363	-
Total receipts	68,187	25,610	8,300	20,000	-	11,363	17,801
Disbursements:							
General government	-	-	-	-	-	-	11,373
Public safety	68,954	30	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	11,375	10,000	-	102,265	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	5,210	-
Total disbursements	68,954	30	11,375	10,000	-	107,475	11,373
Excess (deficiency) of receipts over disbursements	(767)	25,580	(3,075)	10,000	-	(96,112)	6,428
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	118,000	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	118,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(767)	25,580	(3,075)	10,000	-	21,888	6,428
Cash and investment fund balance - beginning	158,090	-	4,686	10,000	16,401	130,944	111,686
Cash and investment fund balance - ending	<u>\$ 157,323</u>	<u>\$ 25,580</u>	<u>\$ 1,611</u>	<u>\$ 20,000</u>	<u>\$ 16,401</u>	<u>\$ 152,832</u>	<u>\$ 118,114</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 157,323	\$ 25,580	\$ 1,611	\$ 20,000	\$ 16,401	\$ 152,832	\$ 118,114
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 157,323</u>	<u>\$ 25,580</u>	<u>\$ 1,611</u>	<u>\$ 20,000</u>	<u>\$ 16,401</u>	<u>\$ 152,832</u>	<u>\$ 118,114</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	157,323	25,580	1,611	20,000	16,401	152,832	118,114
Total cash and investment fund balance - December 31	<u>\$ 157,323</u>	<u>\$ 25,580</u>	<u>\$ 1,611</u>	<u>\$ 20,000</u>	<u>\$ 16,401</u>	<u>\$ 152,832</u>	<u>\$ 118,114</u>

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Unsafe Building	Elco Operating	Central Garage	Enhanced 911	Community Development	Community Development Rehab Revolving Loan	Community Development Business Loan Grant
Receipts:							
Taxes	\$ -	\$ -	\$ 1,257,501	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	87,182	142,399	752,910	66,782	-
Charges for services	59,088	-	14,843	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	2,891	650	-	21,436	89,774	162,175
Total receipts	59,088	2,891	1,360,176	142,399	774,346	156,556	162,175
Disbursements:							
General government	-	182,869	1,241,568	-	-	-	40,424
Public safety	42,947	-	-	146,565	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	687,091	216,153	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	57,540	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	42,947	182,869	1,299,108	146,565	687,091	216,153	40,424
Excess (deficiency) of receipts over disbursements	16,141	(179,978)	61,068	(4,166)	87,255	(59,597)	121,751
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	270,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	270,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,141	90,022	61,068	(4,166)	87,255	(59,597)	121,751
Cash and investment fund balance - beginning	78,931	2,664	225,733	379,410	(147,232)	205,450	39,662
Cash and investment fund balance - ending	\$ 95,072	\$ 92,686	\$ 286,801	\$ 375,244	\$ (59,977)	\$ 145,853	\$ 161,413
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 95,072	\$ 92,686	\$ 286,801	\$ 375,244	\$ (59,977)	\$ 145,853	\$ 161,413
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 95,072	\$ 92,686	\$ 286,801	\$ 375,244	\$ (59,977)	\$ 145,853	\$ 161,413
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	95,072	92,686	286,801	375,244	(59,977)	145,853	161,413
Total cash and investment fund balance - December 31	\$ 95,072	\$ 92,686	\$ 286,801	\$ 375,244	\$ (59,977)	\$ 145,853	\$ 161,413

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Women's Shelter Grant	IDEM State Grant - Small Mentor	Envirocorps	Greater Elkhart	Record Perpetuation	Noise Ordinance	State Riverboat Gambling
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	50,737	126,207	107,664	-	-	-	326,433
Charges for services	-	-	-	349,962	35,702	26,025	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	785	-	-	-	-
Total receipts	50,737	126,207	108,449	349,962	35,702	26,025	326,433
Disbursements:							
General government	-	51,629	-	557	32,923	-	35,000
Public safety	50,737	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	216,734	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	50,737	51,629	216,734	557	32,923	-	35,000
Excess (deficiency) of receipts over disbursements	-	74,578	(108,285)	349,405	2,779	26,025	291,433
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	95,000	-	-	3,850	-
Transfers out	-	-	-	(24,931)	-	-	-
Total other financing sources (uses)	-	-	95,000	(24,931)	-	3,850	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	74,578	(13,285)	324,474	2,779	29,875	291,433
Cash and investment fund balance - beginning	-	(13,564)	22,585	577,693	101,998	116,513	192,224
Cash and investment fund balance - ending	\$ -	\$ 61,014	\$ 9,300	\$ 902,167	\$ 104,777	\$ 146,388	\$ 483,657
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ 61,014	\$ 9,300	\$ 902,167	\$ 104,777	\$ 146,388	\$ 483,657
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ -	\$ 61,014	\$ 9,300	\$ 902,167	\$ 104,777	\$ 146,388	\$ 483,657
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	61,014	9,300	902,167	104,777	146,388	483,657
Total cash and investment fund balance - December 31	\$ -	\$ 61,014	\$ 9,300	\$ 902,167	\$ 104,777	\$ 146,388	\$ 483,657

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Tax Abatement	Rainy Day	Wheel Tax	Oak Hills Golf Course	Oak Hills Concessions	2005 Park Allocation	2005 Park Bond
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809,057	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	966,343	-	-	55,552	-
Charges for services	-	-	-	269,594	66,845	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	3,250	-	-	40	-	-	72,603
Total receipts	3,250	-	966,343	269,634	66,845	864,609	72,603
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	805,743	-	-	-	-
Culture and recreation	-	-	-	349,841	46,620	-	120,061
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	725,000	-
Interest	-	-	-	-	-	66,045	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	805,743	349,841	46,620	791,045	120,061
Excess (deficiency) of receipts over disbursements	3,250	-	160,600	(80,207)	20,225	73,564	(47,458)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	238,933	-	40,000	-	-	-
Transfers out	-	-	-	-	(40,000)	-	-
Total other financing sources (uses)	-	238,933	-	40,000	(40,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,250	238,933	160,600	(40,207)	(19,775)	73,564	(47,458)
Cash and investment fund balance - beginning	8,500	225,286	494,444	63,099	34,585	-	1,738,599
Cash and investment fund balance - ending	\$ 11,750	\$ 464,219	\$ 655,044	\$ 22,892	\$ 14,810	\$ 73,564	\$ 1,691,141
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 11,750	\$ 464,219	\$ 655,044	\$ 22,892	\$ 14,810	\$ 73,564	\$ 1,691,141
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 11,750	\$ 464,219	\$ 655,044	\$ 22,892	\$ 14,810	\$ 73,564	\$ 1,691,141
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,750	464,219	655,044	22,892	14,810	73,564	1,691,141
Total cash and investment fund balance - December 31	\$ 11,750	\$ 464,219	\$ 655,044	\$ 22,892	\$ 14,810	\$ 73,564	\$ 1,691,141



CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Economic Development Income tax	Cumulative Fire Fighting Equipment	Cumulative Capital Improvement	Cumulative Sewer	Cumulative Capital Development	Curb and Gutter Construction	Redevelopment
Receipts:							
Taxes	\$ -	\$ 56,961	\$ -	\$ 509,439	\$ 866,045	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,346,005	4,014	185,320	35,322	60,047	-	-
Charges for services	-	-	-	-	-	15,468	-
Fines and forfeits	-	-	-	-	-	-	-
Other	8,040	-	-	-	-	-	-
Total receipts	3,354,045	60,975	185,320	544,761	926,092	15,468	-
Disbursements:							
General government	2,455,688	-	103,589	-	19,623	-	1,272
Public safety	12,686	113,214	-	-	-	-	-
Highways and streets	-	-	-	360,119	-	8,400	-
Culture and recreation	1,240,050	-	-	-	21,578	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	346,136	-	21,794
Public safety	-	617,694	-	-	519,817	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	73,841	-	-	-	-
Total disbursements	3,708,424	730,908	177,430	360,119	907,154	8,400	23,066
Excess (deficiency) of receipts over disbursements	(354,379)	(669,933)	7,890	184,642	18,938	7,068	(23,066)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	238,933	94,916	-	-	-	-
Transfers out	(200,000)	-	(100,000)	-	(480,258)	-	(40,000)
Total other financing sources (uses)	(200,000)	238,933	(5,084)	-	(480,258)	-	(40,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(554,379)	(431,000)	2,806	184,642	(461,320)	7,068	(63,066)
Cash and investment fund balance - beginning	5,251,461	2,134,310	193,904	788,319	1,352,722	24,910	271,029
Cash and investment fund balance - ending	<u>\$ 4,697,082</u>	<u>\$ 1,703,310</u>	<u>\$ 196,710</u>	<u>\$ 972,961</u>	<u>\$ 891,402</u>	<u>\$ 31,978</u>	<u>\$ 207,963</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 4,697,082	\$ 1,703,310	\$ 196,710	\$ 972,961	\$ 891,402	\$ 31,978	\$ 207,963
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 4,697,082</u>	<u>\$ 1,703,310</u>	<u>\$ 196,710</u>	<u>\$ 972,961</u>	<u>\$ 891,402</u>	<u>\$ 31,978</u>	<u>\$ 207,963</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,697,082	1,703,310	196,710	972,961	891,402	31,978	207,963
Total cash and investment fund balance - December 31	<u>\$ 4,697,082</u>	<u>\$ 1,703,310</u>	<u>\$ 196,710</u>	<u>\$ 972,961</u>	<u>\$ 891,402</u>	<u>\$ 31,978</u>	<u>\$ 207,963</u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Elco Capital	2005 Park Capital	2006 Park Capital	2006 GOB Capital	Highway Improvement	Horizon
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	48,190	-	45,180	34,185	-	-
Total receipts	48,190	-	45,180	34,185	-	-
Disbursements:						
General government	-	-	-	-	-	235,084
Public safety	-	-	-	1,748,489	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	68,017	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	68,017	1,748,489	-	235,084
Excess (deficiency) of receipts over disbursements	48,190	-	(22,837)	(1,714,304)	-	(235,084)
Other financing sources (uses):						
Bond proceeds	-	-	1,837,764	1,982,247	-	-
Transfers in	-	-	-	-	-	200,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,837,764	1,982,247	-	200,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	48,190	-	1,814,927	267,943	-	(35,084)
Cash and investment fund balance - beginning	31,621	6,524	-	-	252,464	450,000
Cash and investment fund balance - ending	<u>\$ 79,811</u>	<u>\$ 6,524</u>	<u>\$ 1,814,927</u>	<u>\$ 267,943</u>	<u>\$ 252,464</u>	<u>\$ 414,916</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 79,811	\$ 6,524	\$ 1,814,927	\$ 267,943	\$ 252,464	\$ 414,916
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 79,811</u>	<u>\$ 6,524</u>	<u>\$ 1,814,927</u>	<u>\$ 267,943</u>	<u>\$ 252,464</u>	<u>\$ 414,916</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	79,811	6,524	1,814,927	267,943	252,464	414,916
Total cash and investment fund balance - December 31	<u>\$ 79,811</u>	<u>\$ 6,524</u>	<u>\$ 1,814,927</u>	<u>\$ 267,943</u>	<u>\$ 252,464</u>	<u>\$ 414,916</u>

CITY OF ELKHART  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	TIF Southwest Allocation	TIF Aeroplex Allocation	TIF Downtown Allocation	TIF Downtown Reserve	TIF Downtown District Capital	Downtown Development
Receipts:						
Taxes	\$ 893	\$ 741	\$ 613,724	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	2,675	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	893	741	616,399	-	-	-
Disbursements:						
General government	-	-	-	-	-	24,932
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	4,271	-	63,733	-	1,003,224	8,596
Debt service:						
Principal	-	-	170,000	-	-	-
Interest	-	-	288,311	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	4,271	-	522,044	-	1,003,224	33,528
Excess (deficiency) of receipts over disbursements	(3,378)	741	94,355	-	(1,003,224)	(33,528)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	2,263,095	-
Transfers in	-	-	-	-	283,390	64,931
Transfers out	-	-	(283,390)	-	-	-
Total other financing sources (uses)	-	-	(283,390)	-	2,546,485	64,931
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,378)	741	(189,035)	-	1,543,261	31,403
Cash and investment fund balance - beginning	19,628	899	898,668	274,000	679,833	252,297
Cash and investment fund balance - ending	<u>\$ 16,250</u>	<u>\$ 1,640</u>	<u>\$ 709,633</u>	<u>\$ 274,000</u>	<u>\$ 2,223,094</u>	<u>\$ 283,700</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 16,250	\$ 1,640	\$ 709,633	\$ -	\$ 2,223,094	\$ 283,700
Restricted assets:						
Cash and investments	-	-	-	274,000	-	-
Total cash and investment assets - December 31	<u>\$ 16,250</u>	<u>\$ 1,640</u>	<u>\$ 709,633</u>	<u>\$ 274,000</u>	<u>\$ 2,223,094</u>	<u>\$ 283,700</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 274,000	\$ -	\$ -
Unrestricted	16,250	1,640	709,633	-	2,223,094	283,700
Total cash and investment fund balance - December 31	<u>\$ 16,250</u>	<u>\$ 1,640</u>	<u>\$ 709,633</u>	<u>\$ 274,000</u>	<u>\$ 2,223,094</u>	<u>\$ 283,700</u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Build Indiana Funds	St. Joseph River IDEM Grant	Riverwalk Commons	Railroad Underpass	East Jackson Curb and Drain	County Road 17 Corridor and Johnson Street
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
General government	-	-	-	13,380	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	32,513	-	-	-	-	-
Total disbursements	32,513	-	-	13,380	-	-
Excess (deficiency) of receipts over disbursements	(32,513)	-	-	(13,380)	-	-
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,513)	-	-	(13,380)	-	-
Cash and investment fund balance - beginning	447,428	17,292	35,206	166,064	87,000	4,446
Cash and investment fund balance - ending	<u>\$ 414,915</u>	<u>\$ 17,292</u>	<u>\$ 35,206</u>	<u>\$ 152,684</u>	<u>\$ 87,000</u>	<u>\$ 4,446</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 414,915	\$ 17,292	\$ 35,206	\$ 152,684	\$ 87,000	\$ 4,446
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 414,915</u>	<u>\$ 17,292</u>	<u>\$ 35,206</u>	<u>\$ 152,684</u>	<u>\$ 87,000</u>	<u>\$ 4,446</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	414,915	17,292	35,206	152,684	87,000	4,446
Total cash and investment fund balance - December 31	<u>\$ 414,915</u>	<u>\$ 17,292</u>	<u>\$ 35,206</u>	<u>\$ 152,684</u>	<u>\$ 87,000</u>	<u>\$ 4,446</u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cassopolis Interlocal	Fire Department FEMA Grant	BBC Seat Belts	Operation Pull Over	Levy Excess	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 282,273	\$ 10,453,488
Licenses and permits	-	-	-	-	-	28,165
Intergovernmental	-	134,070	-	26,200	-	9,563,501
Charges for services	-	-	-	-	-	2,048,217
Fines and forfeits	-	-	-	-	-	25,260
Other	-	-	-	-	-	594,290
Total receipts	-	134,070	-	26,200	282,273	22,712,921
Disbursements:						
General government	-	-	-	-	-	5,758,420
Public safety	-	-	-	4,000	-	2,411,004
Highways and streets	-	-	-	-	-	4,217,307
Culture and recreation	-	-	-	-	-	5,931,311
Urban redevelopment and housing	-	-	-	-	-	1,983,068
Debt service:						
Principal	-	-	-	-	-	895,000
Interest	-	-	-	-	-	354,356
Capital outlay:						
General government	-	-	-	-	-	438,224
Public safety	-	134,070	-	-	-	1,271,581
Highways and streets	-	-	-	-	-	148,289
Culture and recreation	-	-	-	-	-	192,972
Total disbursements	-	134,070	-	4,000	-	23,601,532
Excess (deficiency) of receipts over disbursements	-	-	-	22,200	282,273	(888,611)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	6,083,106
Transfers in	-	-	-	-	-	2,088,232
Transfers out	-	-	(10,000)	(45,250)	-	(1,235,794)
Total other financing sources (uses)	-	-	(10,000)	(45,250)	-	6,935,544
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(10,000)	(23,050)	282,273	6,046,933
Cash and investment fund balance - beginning	4,015	-	10,000	23,050	-	21,262,075
Cash and investment fund balance - ending	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,273</u>	<u>\$ 27,309,008</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 4,015	\$ -	\$ -	\$ -	\$ 282,273	\$ 27,035,008
Restricted assets:						
Cash and investments	-	-	-	-	-	274,000
Total cash and investment assets - December 31	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,273</u>	<u>\$ 27,309,008</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	274,000
Unrestricted	4,015	-	-	-	282,273	27,035,008
Total cash and investment fund balance - December 31	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,273</u>	<u>\$ 27,309,008</u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	Police Pension	Firefighter's Pension	Total
Additions:			
Contributions:			
Employer	\$ 771,644	\$ 2,254,137	\$ 3,025,781
Plan members	20,814	18,829	39,643
State	<u>1,153,517</u>	<u>1,493,075</u>	<u>2,646,592</u>
Total contributions	<u>1,945,975</u>	<u>3,766,041</u>	<u>5,712,016</u>
Deductions:			
Benefits	1,962,425	2,696,377	4,658,802
Other disbursements	1,837	7,668	9,505
Administrative and general	<u>21,149</u>	<u>15,428</u>	<u>36,577</u>
Total deductions	<u>1,985,411</u>	<u>2,719,473</u>	<u>4,704,884</u>
Excess (deficiency) of total additions over total deductions	(39,436)	1,046,568	1,007,132
Cash and investment fund balance - beginning	<u>800,803</u>	<u>1,622,128</u>	<u>2,422,931</u>
Cash and investment fund balance - ending	<u><u>\$ 761,367</u></u>	<u><u>\$ 2,668,696</u></u>	<u><u>\$ 3,430,063</u></u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006

	Cemetery Perpetual Care	Mausoleum Perpetual Care	Prairie Street Cemetery Perpetual Care	Donations	Total
Additions:					
Contributions:					
Other	\$ 6,230	\$ 1,039	\$ -	\$ 79,483	\$ 86,752
Deductions:					
Other	14,585	-	-	91,154	105,739
Excess (deficiency) of total additions over total deductions	(8,355)	1,039	-	(11,671)	(18,987)
Cash and investment fund balance - beginning	25,499	435,087	75,657	234,710	770,953
Cash and investment fund balance - ending	<u>\$ 17,144</u>	<u>\$ 436,126</u>	<u>\$ 75,657</u>	<u>\$ 223,039</u>	<u>\$ 751,966</u>

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Pensions</u>	<u>Flex Spending Account</u>	<u>Group Insurance</u>	<u>Sales Tax</u>	<u>County Court Fees</u>	<u>Elkhart City Court</u>	<u>Total</u>
Additions:							
Agency fund additions	<u>\$ 2,809,726</u>	<u>\$ 178,544</u>	<u>\$ 4,992,873</u>	<u>\$ 18,129</u>	<u>\$ 174,528</u>	<u>\$ 2,338,591</u>	<u>\$ 10,512,391</u>
Deductions:							
Agency fund deductions	<u>1,710,917</u>	<u>171,949</u>	<u>5,153,714</u>	<u>18,064</u>	<u>203,224</u>	<u>2,338,632</u>	<u>9,596,500</u>
Excess (deficiency) of total additions over total deductions	1,098,809	6,595	(160,841)	65	(28,696)	(41)	915,891
Cash and investment fund balance - beginning	<u>-</u>	<u>19,697</u>	<u>418,002</u>	<u>11</u>	<u>28,696</u>	<u>307,359</u>	<u>773,765</u>
Cash and investment fund balance - ending	<u>\$ 1,098,809</u>	<u>\$ 26,292</u>	<u>\$ 257,161</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ 307,318</u>	<u>\$ 1,689,656</u>



CITY OF ELKHART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

The City has not recorded any general infrastructure assets in governmental activities.

Primary Government

Governmental activities:

Capital assets, not being depreciated:

Land	\$ 8,012,287
Buildings	15,834,162
Improvements other than buildings	16,224,868
Machinery and equipment	<u>21,638,938</u>

Total governmental activities, capital assets not being depreciated	<u><u>\$ 61,710,255</u></u>
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Primary Government

Business-type activities:

Water Utility:

Capital assets, not being depreciated:

Land	\$ 593,438
Construction in progress	54,371
Buildings	1,130,849
Improvements other than buildings	966,890
Machinery and equipment	4,400,302
Infrastructure	<u>27,334,940</u>

Total Water Utility capital assets	<u>34,480,790</u>
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Wastewater Utility:

Capital assets, not being depreciated:

Land	66,068
Construction in progress	394,517
Buildings	19,220,508
Improvements other than buildings	6,036,607
Machinery and equipment	23,272,492
Infrastructure	<u>40,886,027</u>

Total Wastewater Utility capital assets	<u>89,876,219</u>
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Total business-type activities capital assets	<u><u>\$ 124,357,009</u></u>
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CITY OF ELKHART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

As Of December 31, 2006

The City has entered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease payable:		
Golf Carts	\$ 80,225	\$ 41,667
Loans payable:		
2003 Brownfield Series A	227,000	32,000
Bonds payable:		
General obligation bonds:		
2005 Park district	1,075,000	530,000
2006 Bonds	1,990,000	275,000
2006 Park district	1,850,000	30,000
Tax increment bonds:		
2001 Revenue refunding and improvements bonds	2,180,000	160,000
2002 Special tax district bonds	1,805,000	15,000
2004 Special tax district bonds	1,400,000	55,000
2006 Special tax district bonds	<u>2,295,000</u>	<u>5,000</u>
Total governmental activities long-term debt	<u>\$ 12,902,225</u>	<u>\$ 1,143,667</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2003 Refunding revenue bonds	\$ 1,995,000	\$ 830,000
Wastewater Utility		
Revenue bonds:		
2004 Refunding revenue bonds	<u>2,825,000</u>	<u>1,025,000</u>
Total business-type activities long-term debt:	<u>\$ 4,820,000</u>	<u>\$ 1,855,000</u>

CITY OF ELKHART  
OTHER REPORT

The annual audit report presented herein was prepared in addition to another official report prepared for the individual Elkhart City office listed below:

Elkhart City Clerk

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS (Applies to City Controller)

The City has a depository account referred to as the "Pooled Cash Bank Account" in which many of the City's cash funds are accounted for. The December 31, 2006, depository reconciliation of the "pooled cash bank account" balance to the fund balances that comprise pooled cash revealed that the fund balances exceeded the pooled cash account balance by \$78,864. This difference could represent an amount necessary to balance or an overstatement of fund balances.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with balance statements provided by the representative depositories."

APPROPRIATIONS (Applies to City Controller)

In 2006, the expenditures for the Cumulative Fire Fighting Equipment Fund exceeded budgeted appropriations by \$70,441.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CUSTOMER DEPOSIT REGISTER (Applies to City Utilities)

The detailed customer deposit register for the Water Utility does not reconcile with the customer deposit amount recorded on the general ledger. These accounts should be the same. In 2004, three transfers totaling \$174,110 were made to the Customer Deposit Fund. These transfers contributed to the overfunding of the customer deposit liability. At December 31, 2006, the cash assets were higher than the liability account by \$97,433.

The following chart shows discrepancies between the Water Utility's cash account and the liability account over the past few years:

	<u>Cash Balance</u>	<u>Liability</u>	<u>Overfunded</u>
2004	\$ 163,441	\$ 72,742	\$ 90,699
2005	156,863	65,139	91,724
2006	171,543	74,110	97,433

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

### Compliance

We have audited the compliance of the City of Elkhart (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2006-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The City's response to the findings identified in our audit are described in the accompanying Official Response and Corrective Action Plan section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 1, 2007

CITY OF ELKHART  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through the Great Lakes Basin Commission Soil and Water Conservation	10.902	11-04-03	\$ 10,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG-Entitlement and (HUD - Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-18-0015 B-07-MC-18-0015	389,904 279,421
Total for cluster			669,325
Supportive Housing Program	14.235	IN36B402017 IN36B402023	33,212 56,519
Total for program			89,731
Fair Housing Assistance Program - State and Local	14.401	FF205K065036	32,700
Pass-Through Elkhart Housing Authority Public Housing Capital Fund	14.872		48,843
Total for federal grantor agency			840,599
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	05VA031 05VA032	25,368 25,369
Total for federal grantor agency			50,737
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-06-04-07-09	26,200
Direct Grant			
Airport Improvement Program	20.106	3-18-0018-16 3-18-0018-17	46,355 221,336
Total for program			267,691
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205	STP-000C(559) HES-3720(010)	134,209 144,747
Total for program			278,956
Total for federal grantor agency			572,847
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Water Quality Cooperative Agreements	66.463	ARN A305-4-37	78,879
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Elkhart Community School Corporation Twenty-First Century Community Learning Centers	84.287		8,300
<u>U.S. CORPORATION FOR NATIONAL SERVICE</u>			
Pass-Through Indiana Commission for Community Services AmeriCorps	94.006	03ACHIN0010003	100,305
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana State Emergency Management Agency Homeland Security Grant Program	97.004	EMW-2004-FG-12704	134,070
Total federal awards expended			\$ 1,795,737

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



CITY OF ELKHART  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Elkhart (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2006:

Program Title	Federal CFDA Number	2006
CDBG- Entitlement and (HUD – Administered) Small Cities Cluster	14.218	\$ 234,827
Crime Victim Assistance	16.575	50,737

CITY OF ELKHART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
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Identification of Major Programs:

\_\_\_\_\_  
Name of Federal Program or Cluster

CDBG – Entitlement and (HUD Administered) Small Cities Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

CITY OF ELKHART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, INTERNAL CONTROLS - CASH MANAGEMENT –  
COMMUNITY DEVELOPMENT FUND AND CDBG FEDERAL GRANT

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218

Controls over the receipting, disbursing, recording, and accounting for the financial activities of the Community Development Block Grant (CDBG) federal grant have been insufficient. On December 31, 2006, the City Controller's cash balance of the Community Development Fund (No. 231) is a negative \$59,977 and the cash balance of the CDBG bookkeeper's control fund ledger was \$66,458, resulting in a difference of \$126,435. The \$66,458 cash balance of the CDBG bookkeeper has also been reported to the federal government on the Form 272, Federal Cash Transaction Report, for the period ending December 31, 2006, which is the correct balance.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, and control ledger should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Failure to identify and correct differences in the cash balance of the Community Development Fund, per the City Controller's records and the cash control ledger of the CDBG bookkeeper, will result in the under or overstating of the Community Development Fund cash balance throughout the year.

We recommended that City officials initiate procedures to establish internal controls over the cash fund balance of the Community Development Fund and the cash balance of the CDBG grant control ledger. Such procedures should include, on a monthly basis, reconciling the Community Development fund cash balance per the City Controller's records with the cash balance per the CDBG bookkeeper's control ledger for the grant.

CITY OF ELKHART  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



*The city with a heart*

## **CORRECTIVE ACTION PLAN**

David L. Miller  
Mayor

### **FINDING 2006-1 INTERNAL CONTROLS – CASH MANAGEMENT – COMMUNITY DEVELOPMENT FUND AND CDBG FEDERAL GRANT**

Stephen J. Malone  
City Controller

City Controller

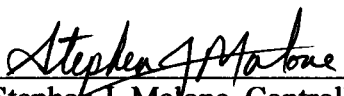
Municipal Building  
229 S. Second Street  
Elkhart, Indiana 46516

Phone: 574.294.5471

Fax: 574.294.8491

The receipting, disbursing, recording, and accounting for the financial activities of the CDBG federal grant involve two accounting components. The first component consists of the recording of financial activities by the Community Development Program personnel in an independent ledger. The second component consists of the recording of financial activities by the City Controller's Office. Cash balances of both components have regularly been monitored by the Community Development Program personnel on a monthly basis but a thorough monthly reconciliation was not completed. Because a difference in balances was shown by each component, the Controller's Office initiated an audit in 2006 of the fund and the records of each component for the years 2003, 2004, 2005, and part of 2006. The audit failed to account for the difference in balances. In fact, the records of both components corresponded on a per transaction basis with each other.

The Controller's Office will expand the audit in 2007 to identify the causative factors contributing to the difference. The Controller's Office will also initiate a procedure in 2007 to complete a monthly reconciliation of the records of both accounting components.

  
\_\_\_\_\_  
Stephen J. Malone, Controller  
City of Elkhart, Indiana

June 21, 2007

Date Signed

CITY OF ELKHART  
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2007, with Steve J. Malone, Controller; David L. Miller, Mayor; and Jerry L. Kindig, President of the Common Council. The officials concurred with our audit findings.